

PROBLEMS FACED BY ENTREPRENEURS: A SPECIAL REFERENCE TO MICRO AND SMALL ENTREPRENEURS IN MUMBAI AND PUNE

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ABSTRACT

The MSME's in India faces large number of issues starting from finances, to location to competition. It takes a lot survive in this highly competitive world. Through it all it's the entrepreneur who faces all of these factors. It is the entrepreneur who plays a major role in the economic development of the economy. It is he/she who has the passion, skill and zeal to start a venture on his/her own and continually work towards the excellence and the growth of the same. He/she works as a catalyst for change and also works towards the development of the people and places around him. He/she is a person who ideates and executes a plan first in his mind and then gets along with a team to actually implement his thoughts and ideas, thus making sure that he progresses along with his team and the productive development of the enterprise that he has started. He executes new techniques, new plans and ideas with care. But now there are so many problems he faces which includes the sources of capital, finding honest suppliers, finding loyal customers, finding right employees, unforecasted competition and also keeping in mind the ever changing industrial trends, rules and regulations brought up by the government.

Objective of the Study

Many researches and studies have been conducted to study the challenges, problems and risks faced by entrepreneurs in India. However very few researchers have made an in-depth study on the same, this study is focused on a detailed analysis of the kinds of problems faced by entrepreneurs.

Methodology

The study involves both the primary and secondary data and is empirical in nature with a sample size of 263 respondents taken randomly from the area of Mumbai and Pune in the state of Maharashtra.

Limitations

The study is based specifically in Mumbai and Pune, Maharashtra (only) wherein the entrepreneurs are selected at random. This research is based on the data received by interviewing the respondents personally, hence the given figures, to some extent, have the researchers' perception to the reply given by the respondent. Also, some respondents choose not to answer to some questions as they were unaware, did not face the situations or did not remember the situations accurately.

KEYWORDS: MSME, Micro Enterprises, Small Enterprises, Problems, Challenges, Risk Factors

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INTRODUCTION

The last decade has seen a sudden rise in the number of new start-ups in India. The rise of the e-commerce and an environment suitable for easy setup of businesses are the reasons behind this rise. With educational institutions giving a greater push to entrepreneurship, and a generation of young dynamic youths with an intention

to make that change for themselves and the world around them have been the catalysts to this change. However this increasing number does not tell us the entire story. Primary researches have shown that entrepreneurs had to fight all odds for the survival of the business. Many factors such as limited access to information, procedures, government rules and regulations, finance, skills and expertise and most importantly guidance plays a major threat to the growth of an enterprise and in-turn affects the economy. In a country like India, employment stability and a brand of a big company continues to be the dream of many in the younger generation and this culture continues to hamper their entrepreneurial intentions. Unless this attitude changes the government will have very little hand in doing what it should in order to lift up the number of entrepreneurial ventures in the country.

SOME OF THE PROBLEMS FACED BY SMALL AND MICRO ENTERPRISES

Challenges in Distribution/Network/Channels

According to Kotler (2009) Marketing and distribution channels are a set of interdependent organizations involved in the process of making a product or service available for use or consumption. And the biggest drawback to the Indian companies that has been seen is the distribution channel or the networks that allow the goods or services to reach the end consumers on time and with quality. The process of delivering the goods and services in India is much more expensive as compared to the western countries. Bad Infrastructure (Kshethri 2009) and low internet (Wharthon, 2009) are the two major factors which hinder a good distribution. Factors like unavailability of raw materials, unavailability of skilled labor, proper machinery, inaccessibility from the city and the market places, unavailability of water, electricity and labor are some factors that are continually affected by the ineffectiveness in the distribution channels. Availability of a good distribution system would directly mean that all the above given resources including good roads, rail, ports and airport facilities should be accessible for the entrepreneurs. A robust distribution system allows entrepreneurs to save time and money both.

Ranking of India with respect to the other countries;

Quality of roads -90

Quality of railroad -23

Quality of port -83

Quality of Air transport -71

(World Bank and IFC, 2010/2011)

Even though India has been a part of the IT revolutionary story, India still lacks internet penetration. Internet being dead or unavailable at many places in the rural India and also in the suburban areas close to the metro cities of the country. The lack of internet plays a major role in the slow development of the country.

According to a study released by Google India in the mid- 2011, only 2 million out of 35 million SMEs were online (Narasimhan, 2011). Though India boasts of its presence in IT industry, in comparison to other countries, India seems poorly connected.

Ranking of India with respect to other countries

Availability of latest Technology 41

Firm – level adoption	39
Internet users	118
Broadband internet subscriptions	100
Internet bandwidth	119
(World Bank & IFC, 2010/2011)	

Table 1: Distribution Chart of the Responses Recorded as per Likert Scale (1-4)

What kinds of Risks Have you Come Across when you Started the Business?					
Options	No Risk	Yes but Little Risk	Moderate	High Risk	Total Count
Q1.11 : UNAVAILABILITY OF RAW MATERIALS	128	42	64	19	254
Q1.12 : UNAVAILABILITY OF SKILLED LABOUR	130	41	52	30	259
Q1.13 : NO PROPER MACHINERY	138	33	65	18	256
Q1.14 : INACCESSIBLE TO THE CITY	144	29	59	17	259
Q1.15 : AWAY FROM THE MARKET	141	29	57	20	258
Q1.16 : UNAVAILABILITY OF WATER	156	27	51	14	256
Q1.17 : UNAVAILABILITY OF ELECTRICITY	141	28	54	26	257
Q1.18 : ACCOMMODATION OF LABOUR	138	42	48	18	258

With reference to the table above, it is surprising to know that the findings of this research shows that the existing entrepreneurs find the factors of unavailability of raw materials, un availability of skilled labor, proper machinery, inaccessibility from the city and the market places, unavailability of water, electricity and labor, of no risk at all, the respondents surveyed for this research mention that they have either adapted to the changes or the discomforts in location or either launched their enterprise in the areas wherein the facilities are readily available. Further hope lies in the working of the ‘Make In India’ project of the current Prime Minister Mr. Narendra Modi Government which promises of better infrastructure for easy business in and around India.

Challenges with Regulatory Framework

The regulatory factors plan an important role in the development f entrepreneurship in the country. Just like good regulatory framework encourages entrepreneurs, a bad regulatory framework can de-motivate entrepreneurship in the same way. Dealing with the regulatory factors has always been a de-motivator for the entrepreneurs in India. In a study conducted by a foreign return Indian entrepreneur (Goel, 2010), it clearly mentions that ‘the red tape’ has to be removed. This red tape consists of huge government bureaucracy and a wide range of rules and regulations.

According to the survey conducted by the National Knowledge Commission, 2008 : 50% of the entrepreneurs faced difficulties while seeking statutory clearances and licenses. Two-thirds of the entrepreneurs experienced hassles while filing taxes and a whopping 60% of them claimed to have encountered corruption. Another hurdle was inaccessibility in reliable information on registration procedures, finance and other schemes of the government.

Table 2: Distribution Chart of the Responses Recorded as per Likert Scale (1-4)

What kinds of Risks have you Come Across when you Started the Business?					
Options	No Risk	Yes but little risk	Moderate	High Risk	Total Count
Q1.2 : KNOWLEDGE ABOUT LOANS	38	131	87	6	261
Q1.3 : GOVERNMENT SUBSIDY	58	32	166	86	261
Q1.8 : MULTIPLE WINDOW POLICY	36	47	67	101	253
Q1.9 : TAXES	34	53	73	96	259

From the above table 2 it is clearly shown that the entrepreneurs have faced risks in the areas of government subsidies, multiple window policy of the government and with reference to the taxes. It is clear from the above table that the entrepreneurs find the regulatory framework cumbersome. Increased levels of corruption and lack of accountability adds on to the problems related to the regulations.

Challenges with Finance

The starting point of any business, funds, has been the continual are of issue for entrepreneurs and the people aspiring to be entrepreneurs. The major problem for an entrepreneur is not just the accumulation of funds but also the awareness on the sources of funds, the interest rates on loans, interest rates and return policies of the gold loans. Our nation boasts of people who have made fortunes from 'rags to riches', but unfortunately we also have many untold silent stories that turned from 'riches to rags'. These stories are from those of the entrepreneurs who either had less experience in handling funds or those who have sources but the loss in idea or guidance have led to a larger monetary loss.

Even though the government has now made plans and procedures to ease the fund flow in ways of 'loans or the Pradhan Mantri Yojana' for entrepreneurs, yet the procedures for the same has still been in question, wherein in most cases the supplying banks have not been easy for the entrepreneurs to avail loans due to the corruption and the level of frauds in the country.

Table 3: Distribution Chart of the Responses Recorded as per Likert Scale (1-4)

What kinds of Risks Have you Come Across when you Started the Business?					
Options	No Risk	Yes but Little Risk	Moderate	High Risk	Total Count
Q1.1 : FUNDS	33	131	39	55	262
Q1.2 : KNOWLEDGE ABOUT LOANS	38	131	87	6	261
Q1.3 : GOVERNMENT SUBSIDY	58	32	166	86	261
Q1.4 : FAMILY BORROWINGS	60	48	55	96	262
Q1.5 : HIGH INTEREST RATES	35	40	62	117	260
Q1.6 : PROPERTY MORTGAGE BY BANKS	54	27	68	100	258
Q1.7 : GOLD LOANS	51	33	71	92	255

From the above table, it is clearly seen that the entrepreneurs surely face the issues of funds, be it in ways of sourcing or in ways of interest rates or even mortgage by the banks. The entrepreneurs surely feel the pinch in the areas of funds.

CONCLUSIONS AND SUGGESTIONS

The arguments above clearly show that there is need in the working of the above mentioned areas; namely distribution/network/systems, government framework and the funds. Distribution is disturbed by low internet penetration and bad infrastructure facilities like roads, rail and air. Governmental frameworks create trouble in areas such as taxes,

information on subsidies and schemes, licensing procedures and difficulty in getting finances. Eventually the corruption in the system de-motivates the Indian entrepreneur. Unfortunately there is no easy way out to these stated problems. The government needs to work towards creating a more transparent and simple policy procedures for the growth and development of entrepreneurship in the nation. The challenge of distribution has to be handled by the private sector and the public sector both. Trust worthy and honest private sector companies could be given tenders for the infrastructural development of the nation. The success of the current entrepreneurs and their success stories are the best way to create a vibe of fresh air of motivation for the next generation of entrepreneurs to come in.

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APPENDICES

Table 4

What kinds of Risks have you Come Across when you Started the Business?					
Options	No Risk	Yes but Little Risk	Moderate	High Risk	Total Count
Q1.1 : FUNDS	33	131	39	55	262
Q1.2 : KNOWLEDGE ABOUT LOANS	38	131	87	6	261
Q1.3 : GOVERNMENT SUBSIDY	58	32	166	86	261
Q1.4 : FAMILY BORROWINGS	60	48	55	96	262
Q1.5 : HIGH INTEREST RATES	35	40	62	117	260
Q1.6 : PROPERTY MORTGAGE BY BANKS	54	27	68	100	258
Q1.7 : GOLD LOANS	51	33	71	92	255
Q1.8 : MULTIPLE WINDOW POLICY	36	47	67	101	253
Q1.9 : TAXES	34	53	73	96	259
Q1.10 : COMPETITION	17	112	33	90	260
Q1.11 : UNAVAILABILITY OF RAW MATERIALS	128	42	64	19	254
Q1.12 : UNAVAILABILITY OF SKILLED LABOUR	130	41	52	30	259
Q1.13 : NO PROPER MACHINERY	138	33	65	18	256
Q1.14 : INACCESSIBLE TO THE CITY	144	29	59	17	259

Table 4: Contd.,					
Q1.15 : AWAY FROM THE MARKET	141	29	57	20	258
Q1.16 : UNAVAILABILITY OF WATER	156	27	51	14	256
Q1.17 : UNAVAILABILITY OF ELECTRICITY	141	28	54	26	257
Q1.18 : ACCOMMODATION OF LABOUR	138	42	48	18	258